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SUBJECT: AMBASSADOR RICE'S JUNE 22 MEETING WITH TERJE ROED-LARSEN

Classified By: Ambassador Susan E. Rice for reasons 1.4 (b) and (d).

¶1. (C) Summary: Terje Roed-Larsen told Ambassador Rice on June 22 that the June 7 Lebanese Parliamentary elections had been "good news" and described three possible regional scenarios going forward in order of probability: (1) business as usual, (2) a regional war started by Hizballah involving Israel and possibly Syria, and (3) a spectacular breakthrough on the peace process. He urged the U.S. to focus on the second phase of the Road Map in order to resolve the border issue, which would solve the settlements questions through land swaps. He said he was flying to Rome to finalize negotiations between the Vatican and Saudi Arabia for the establishment of an international organization, to be based in Vienna, for inter-religious dialogue. On Iran, Roed-Larsen said that Egypt and Saudi Arabia, are concerned the protests in Iran could impact their own populations. End summary.

¶2. (C) In a June 22 meeting, Ambassador Rice discussed with Terje Roed-Larsen his "three hats" as (1) Special Envoy of the Secretary-General for the implementation of UNSCR 1559; (2) President of the International Peace Institute (IPI); and (3) the Secretary-General's envoy for interfaith initiatives.

¶3. (C) On Lebanon, Roed-Larsen described the June 7 Parliamentary elections in Lebanon as "good news" and said that IPI's 2008 opinion poll had accurately predicted the results. Looking forward, Roed-Larsen said there were three possible scenarios for the Middle East which he listed in order of probability: (1) business as usual, including the possibility of an assassination or two; (2) regional war: and then (3) a spectacular breakthrough in the peace process. He described the regional war scenario as beginning with Hizballah attacking Israel or an Israeli target to revenge Imad Mughnayih's assassination with Israel then retaliating, thereby starting a war. Roed-Larsen said that Israeli leaders believe Hizballah will complete its transformation into a regular army within two years, and so believe they will more likely "win a war if they engage Hizballah before this transformation is completed and are looking for a "causus belli." Roed-Larsen said Syria might be drawn into such a war either willfully or if Israel attacks some 800 ground-to-air missiles that are stored on the Syrian side of the Syrian-Lebanese border.

¶4. (C) On the Palestinian situation, Roed-Larsen said that IPI has commissioned an opinion poll in the West Bank/Gaza and they should have the results in September. Early indications from test polls show that Hamas would win an election in the West Bank but is very weak in Gaza, Roed-Larsen shared. He commented that if there is a good peace deal, Fatah will win in both places. Turning to Israel, he described Israeli Prime Minister Netanyahu as not an ideologue but boxed in by his coalition. In order to get a peace deal, Roed-Larsen said Netanyahu will have to join a coalition with Kadima. Roed-Larsen characterized Israeli

Foreign Minister Lieberman as "thuggish" and "not a great charmer" but someone who is very bright and pragmatic and wants to be a future Prime Minister. Given the Palestinians' current weakness, Roed-Larsen urged the U.S. to bring in the key, moderate Arabs and have them press President Abbas to make a deal. Roed-Larsen stressed that everything should be based on the second phase of the Road Map in order to resolve the border issue, which would solve the settlements question through land swaps. He described how Arab League Secretary-General Moussa, at a recent dinner of key European and Arab Foreign Ministers in Luxembourg hosted by Roed-Larsen and Spanish Foreign Minister Moratinos, had argued persuasively for a six month moratorium on settlements in order to negotiate the second phase of the Road Map.

¶5. (C) Turning to his third hat -- interfaith initiatives, Roed-Larsen said he was flying to Rome to finalize negotiations between the Vatican and Saudi Arabia on a new international organization, to be based in Vienna, for inter-religious dialogue. Roed-Larsen said that Saudi King Abdullah views this as the "most important thing he has done in his life." Roed-Larsen noted that the Saudis had recently recognized the Jewish nature of the Western Wall in Jerusalem and this could lead to establishment of normal bilateral relations between Saudi Arabia and the Vatican but the Saudis were treading slowly so as to not upset the religious clerics. Roed-Larsen suggested that there could be a role for Saudi Arabia to play in Jerusalem's Holy Basin.

¶6. (C) On Iran, Roed-Larsen said that while Egypt and Saudi Arabia believe that Iran is the "main enemy," they are concerned that their own populations may draw inspiration

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from the protests in Iran. Roed-Larsen said, "whatever way it ends, it could have huge consequences and Iranian society will not be the same." He said that both Hizballah and Hamas are nervously watching what happens in Iran.

RICE